



*United States Attorney
District of New Jersey*



FOR IMMEDIATE RELEASE
April 21, 2010
www.justice.gov/usao/nj

CONTACT: Rebekah Carmichael
Office of Public Affairs
(973) 645-2888

**CEO OF CAPITOL INVESTMENTS USA, INC. CHARGED
WITH \$880 MILLION PONZI SCHEME BASED
ON PHONY GROCERY BUSINESS**

NEWARK, N.J. – The former owner and Chief Executive Officer of Capitol Investments USA, Inc. (“Capitol”), a purported wholesale grocery distribution business, was charged today in a criminal Complaint with operating a \$880 million Ponzi scheme, U.S. Attorney Paul J. Fishman announced.

Nevin Shapiro, 41, of Miami Beach, Florida, surrendered this morning to Special Agents of the Federal Bureau of Investigation (“FBI”) and the Internal Revenue Service (“IRS”) in Newark, New Jersey. Shapiro is scheduled for an initial appearance and bail hearing this afternoon at 2:00 p.m. before United States Magistrate Judge Madeline Cox Arleo in Newark.

According to the Complaint filed in Newark federal court:

From January 2005 through November 2009, Shapiro, through Capitol, solicited investors from New Jersey and throughout the United States, telling them that he would use their money to fund his wholesale grocery distribution business. To induce those investors, Shapiro directed others to create and show to the investors documents fraudulently touting Capitol’s profitability. Those documents included: financial statements, profit and loss figures that fraudulently represented that Capitol’s wholesale grocery business was generating tens of millions of dollars in annual sales; personal and business tax returns for Shapiro and Capitol which also fraudulently reflected those sales; and numerous invoices fraudulently reflecting transactions between Capitol and other companies in the wholesale grocery business.

As a result of these solicitations, more than 60 investors sent over \$880 million to Shapiro and Capitol during this time period. To date, the investigation has revealed that Shapiro caused investor losses of at least \$80 million.

In most instances, Shapiro and others under his direction provided investors with promissory notes reflecting the amount of their investment in Capitol and a schedule, varying from a matter of days to one year, for the payment of interest and the return of principal. The interest Shapiro and Capitol promised investors ranged from 10 percent to 26 percent annually.

In reality, Capitol had no active wholesale grocery business during the time period relevant to this Complaint. In fact, Capitol had virtually no business sales. Shapiro used new

investor funds to make principal and interest payments to existing investors, as well as to fund his own lavish lifestyle.

Shapiro misappropriated approximately \$35 million in investor funds for his personal use, including paying millions of dollars in debts resulting from illegal gambling on sporting events. Using investor money, he also spent, at various times, more than \$400,000 for floor seats to watch the Miami Heat professional basketball team; approximately \$26,000 per month for mortgage payments on his residence in Miami Beach, recently appraised at approximately \$5.3 million; approximately \$7,250 per month for payments on a \$1.5 million dollar Riviera yacht; and approximately \$4,700 per month for the lease of a Mercedes-Benz automobile.

Shapiro also used stolen funds to purchase a pair of diamond-studded handcuffs, which he gave as a gift to a prominent professional athlete, as well as to make \$150,000 in donations to the athletic program of a local university in the Miami area. As a result of a 10-year gift to the university, the Nevin Shapiro Student-Athlete Lounge at the university was named for the defendant.

U.S. Attorney Fishman stated: "Nevin Shapiro is charged with tricking investors with false documents and false promises. He spent tens of millions of their money on gambling debts, lavish gifts, and a luxury lifestyle built on a house of cards."

FBI Special Agent in Charge Michael B. Ward stated: "This case is a perfect example of greed run amok. In pursuit of wealth and a lifestyle he was otherwise unable to attain, Mr. Shapiro allegedly preyed upon unsuspecting investors looking to secure a safe place to maximize their investments. Instead, their futures have been irrevocably damaged."

"Scammers, con artists and swindlers will do and say anything to get you to buy into their scheme," stated William P. Offord, Special Agent in Charge, IRS-Criminal Investigation. "Remember the old cliché, 'If it's too good to be true, it probably is.'"

The criminal Complaint charges Shapiro with one count of securities fraud and one count of money laundering. He faces a maximum term of 20 years in prison on the securities fraud charge, and a fine of up to \$5 million. He also faces a maximum term of 10 years in prison on the money laundering charge, and a fine of up to \$250,000, or twice the gross gain or loss from the offense.

In determining an actual sentence, the judge to whom the case is assigned would, upon a conviction, consult the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence. Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

U.S. Attorney Fishman credited Special Agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward, and Special Agents of the IRS Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord, for the investigation leading to today's Complaint. Fishman also thanked the Securities and Exchange Commission's Miami Regional Office, under the direction of Eric Bustillo.

The government is represented by Assistant U.S. Attorneys Justin W. Arnold and Jacob T. Elberg of the Criminal Division, in Newark.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The charges and allegations contained in the Complaint against Shapiro are merely accusations, and the defendant is considered innocent unless and until proven guilty.

10-112

###

Defense Counsel: Guy Lewis, Esq. & Michael Tein, Esq. of Coconut Grove, Florida